

REVIEW AND ANALYSIS OF SECTION 5-117 REPORTS

COLEMAN AND ASSOCIATES, INC.

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ANNUAL SUPPLIER DIVERSITY POLICY SESSION

- Per Public Act 97-1041 Section 5, public utilities are to:
 - present an overview of their annual procurement goals and actual spending with diverse businesses
 - describe notable achievements in striving to meet or exceed diversity spend goals
 - share goals for 2017 calendar year, and how they expect to overcome challenges in meeting diverse spending goals

INDEPENDENT EVALUATION AND FEEDBACK

- Starting in 2015, ICC Commissioners requested independent review and comment on public utilities' reports by a subject matter expert
- Fred Coleman III, Ph.D. (Civil Engineering)
 - Public Member, Illinois Dept. of Transportation, Architect and Engineering Consultant Selection Committee 2009—present
 - Public Member, Illinois State Toll and Highway Authority, Architect and Engineer Professional Services Selection Committee 2012—Present
 - Founding Director, Diversity Of Capital Programs and Real Estate Services, University Ofc. of Capital Programs, University of Illinois System (Retired 2015)

METHODOLOGY

- Review the Commission's requests and section 5-117 requirements
- Analyze each utilities 2016 report for compliance
- Discuss notable achievements and areas of improvement



Assessment

Notable Achievements

- Dashboard
- Action Plan framed within Short-term, Mid-term and Long-Term Goals
- Significant YOY actual spend
- Increased focus on Professional Services Spend

Needs Improvement

- Only 2 of 5 utilized
- Only 2 of 5 implemented this approach
- 4 of 5 utilities the increase in spend was with WBE certification category
- 3 of 5 did not identify a plan to increase spend across marketing and bond counsel

Assessment

Notable Achievements

- High level of spend with Illinois Diverse Vendors
- Tier 2 Spend Increase Significant and Trending Upward
- Tier 1 Non-Diverse Prime Tier 2 Diversity Utilization Plan

Needs Improvement

- Only 1 of 5 did not meet group average of ~84%
- 4 of 5 Utilities experienced Tier 2 spend increase in WBE certification category
- Only 1 Utility had stated goals, 2 had program obligations. Other utilities “strongly encouraged” diversity utilization plan

Assessment

Notable Achievements

- Spend reporting on large capital projects (such as EIMA and QIP)
- Outreach and special initiatives to expand capacity
- Inclusion of Appendix A

Needs Improvement

- 3 of 5 Utilities had significant capital projects to report on, others did not
- Define and state outcomes from special initiatives such as mentoring and focused business development activities

Recommendations and Summary from Utilities Supplier Diversity Reports

Best Practice Recommendations

- Adopt a uniform and consistent set of definitions for each certifying category
- Adopt a “dashboard” template for use in these reports by all utilities
- Continue to track spend data over time and show trends
- Provide information on how most products/services are procured (competitive)
- Identify total eligible spend \$ at outset of spend discussion reporting
- Address forthrightly diverse groups underutilization in various categories and over-utilization in other categories and what are contributing factors
- Establish specific Tier 2 spend goals along with supporting activities, et al matchmaking, mentoring, etc.
- Perform audits on Tier 2 utilization, certification and spend.

Summary

- Significant progress has been made by all utilities since 2014 and 2015 in diversity utilization and spend initiatives

The Future? A Methodology for Quantifying Utilities'

Section 5-117 Performance

- A methodology is proposed to translate qualitative expectations and quantitative performance data into a rating and ranking methodology.
- Goal is a visual scorecard and minimum performance tool for compliance with ICC requests and section 5-117.

Methodology for Quantifying Utilities Section 5-117 Performance

- Criteria may include:
 - Policies and Methodology
 - Procurement Goals and Spending-Part A
 - Procurement Goals and Spending-Part B
 - Appendix A Compliance
 - Large Capital Programs Diversity Utilization
 - Tier 1 Prime Supplier Requirements to use Diverse Tier 2

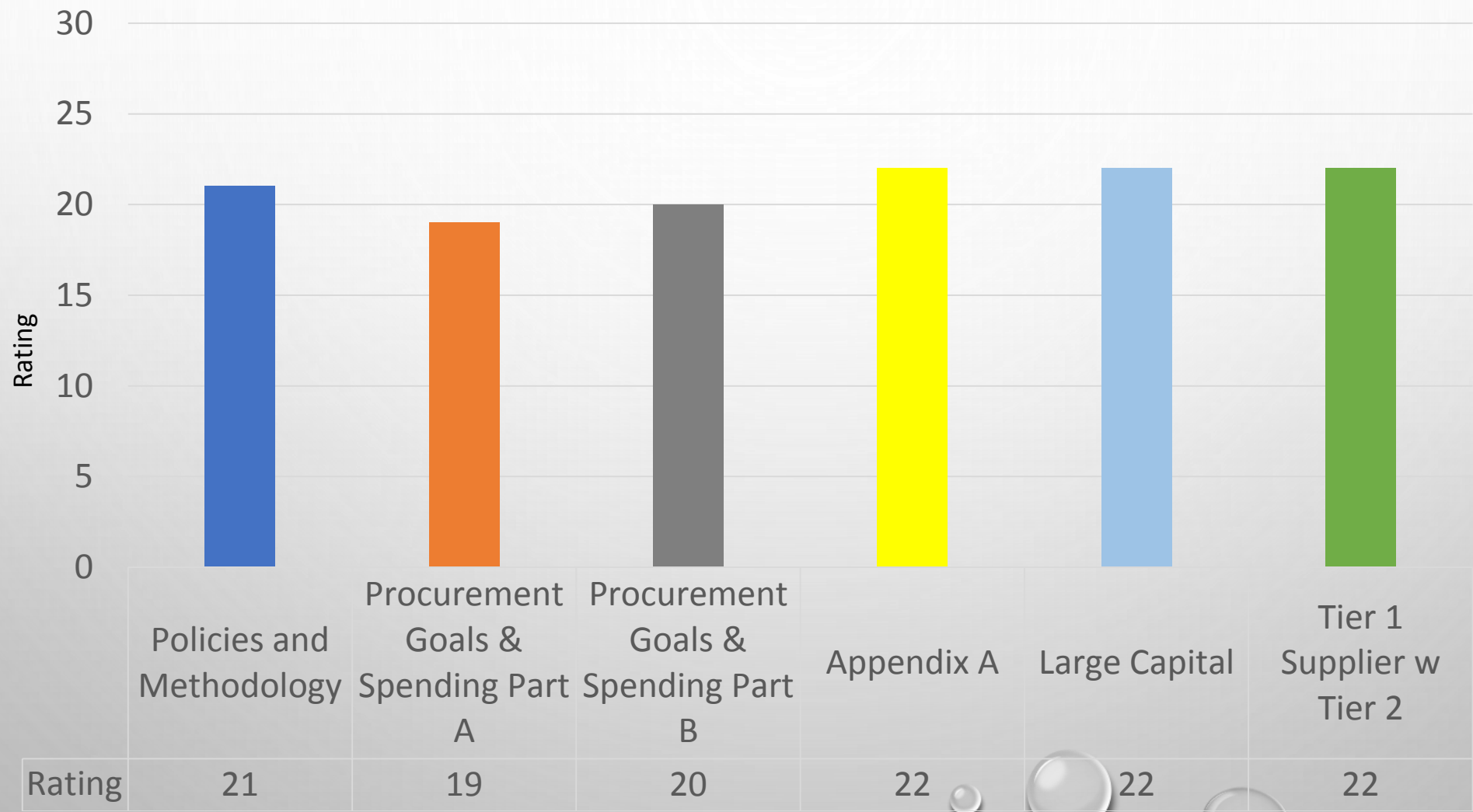
Methodology for Quantifying Utilities Section 5-117 Performance

- Rate how well each utilities' report addressed each criteria for:
 - Organization
 - Clarity
 - Data accuracy
 - Creativity/Unique Initiative
 - Demonstrated Improvement
 - Application of Best Practices
- For each request and 5-117 area apply a rating
- Rating Scale: 5 (excellent), 4 (above average), 3 (average), 2 (below average), 1 (poor). Maximum is 30 points (6 criteria x maximum 5 points)
- Prepare a summary visual comparison of individual utilities

IMPLEMENTATION OF METHODOLOGY

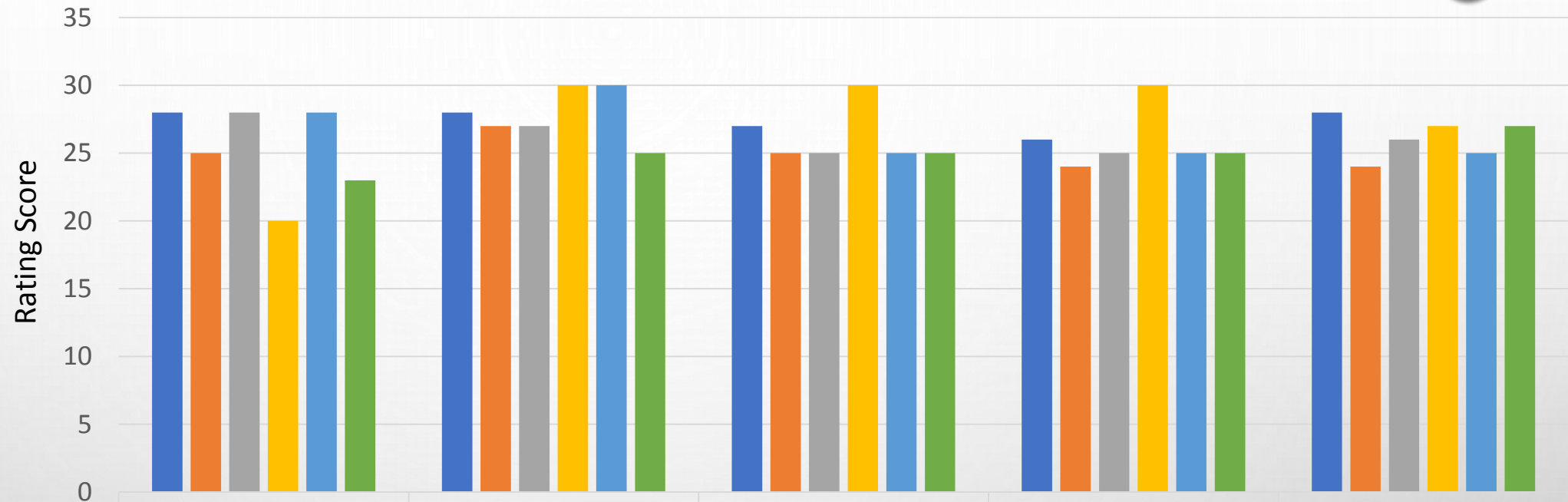
- ICC clarification of 5-117 expectations and requests
- Application of tighter report formatting requirements per best practice and recommendations
- ICC and IUBDC consensus on conversion of 5-117 and requests into criteria
- ICC and IUBDC consensus on scoring/evaluation content and scale
- ICC and IUBDC consensus on what a “5” (i.e. “excellent”) means or contains, a “4”, etc.

EXAMPLE: XYZ UTILITY RATING ON 5-117 CRITERIA



Utility Supplier Diversity Evaluation Comparison

Section 5-117



Policies and Methodology

Procurement Goals & Spending Part A

Procurement Goals & Spending Part B

Appendix A

Large Capital

Tier 1 Supplier w Tier 2

■ Policies and Methodology

■ Appendix A

■ Procurement Goals & Spending Part A ■ Procurement Goals & Spending Part B

■ Large Capital

■ Tier 1 Supplier w Tier 2

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Thank You
and
Questions?